College of Opticians of Ontario

BRIEFING NOTE

TO: **Board of Directors**

FROM: **Fazal Khan, Registrar and CEO**

DATE: **May 30, 2022**

SUBJECT: **10.1 Financial Condition Policy Monitoring Report**

☐ For Decision ☐ For Information ☒ Monitoring Report

Purpose:

To provide the Board with a monitoring report on the Financial Condition Policy, in accordance with the monitoring report schedule approved by the Board.

CEO Interpretation and Evidence:

The Financial Condition Policy (Appendix A) was approved by the Board in October 2017.

The information contained in this monitoring report represents compliance with a reasonable interpretation of the policy. The monitoring report covers the period from June 2021 to May 2022.

The next Financial Condition Policy Monitoring Report is due in May 2023.

Policy Requirement	Interpretation and Evidence
Financial Position	The 2021 fiscal year ended with a surplus of revenues over expenditures in the amount of $124,240. The College's audited net assets at December 31, 2021 were $4,575,275, including $96,360 in restricted assets.
Expenditure	The 2021 fiscal year ended with sufficient liquidity to operate in 2022. There was no major or material unbudgeted spending in 2021 and overall total expenditures were under budget by 15% as a result of Board/Committee meetings being held virtually, external events being deferred to 2022, and efficient administrative processes. Budget line variances were presented and explained to the Finance Committee each quarter and approved prior to the presentation to the Board.
Debt	No funds were borrowed or loaned in 2021 or in Q1 of 2022.
Reserve Funds	General reserve funds were not accessed in 2021 despite the anticipated deficit. At the December meeting, the Board approved use of $443,515 from the College's general reserve to offset the impact of revenue reduction as a result of lowering 2022 registrant fees for pandemic relief for a second year.

	The restricted reserve for the funding of Therapy and Counselling was used in 2021 ($2800) and in Q1 of 2022 ($1200) and replenished from the College's operating income.
Payments and Receivables	Vendor payments, payroll, Board expenses, source deductions, and HST payments were remitted in accordance with a 30 day payment schedule with EFT/cheques issued every 2 weeks. The College successfully migrated 89% of vendors and 100% of Staff/Board members from cheques to EFT payments to reduce paper waste and decrease AP turnover.
Reporting	The Financial Condition of the College was reported to the Executive/Finance Committee and the Board each quarter with the Financial Variance Report. The report includes quarterly actuals of the current and previous year, $ differences from the previous year, % variance to the previous year, and % variance to the total budget. The Executive Committee would review the report in detail prior to the presentation to the Board.

Public Interest Considerations:

Does the Registrar, CEO's interpretation of the Policy serve or impact the public's interest or trust in the College?

Diversity, Equity, and Inclusion Considerations:

Does the Registrar, CEO's interpretation of the Policy impact the College's commitment to Diversity, Equity, and Inclusion?

Recommendations/Action Required:

The Board is asked to consider the following questions:

1) Was the Registrar, CEO's interpretation of the policy reasonable?
2) In the Board's opinion, did the Registrar, CEO comply with this policy?

POLICY TYPE: OPERATIONAL BOUNDARIES

2-02 Financial Planning and Budgeting

The Registrar, CEO shall not permit financial planning that allocates resources in a way that deviates materially from the Board-stated strategic outcomes priorities, that risks fiscal security, or that is not derived from a multi-year plan.

Further, the Registrar, CEO shall not:

1. Operate without a multi-year strategic plan is reasonably consistent with the strategic outcomes set by the Board from time to time.
2. Permit financial planning that doesn't assign the funds reasonably necessary for the College to fulfil its regulatory responsibilities and strategic outcomes.
3. Permit financial planning that does not provide the amount determined annually by the Board for the Board's direct use during the year, such as costs of fiscal audit, Board ongoing development, Board and committee meetings, Board legal fees, and stakeholder engagement activities.
4. Permit financial planning that does not permit for the regular analysis of strengths, weaknesses, opportunities, and threats, including external environmental issues, which may impact the organization's short and long- term future and budget.
5. Permit financial planning that omits credible projection of revenues and expenses, separation of capital expenditures and operational expenses, cash flow projections, and disclosure of planning assumptions.
6. Plan the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period unless the Board expressly authorizes the use of reserves for a specific purpose.
7. Permit planning that endangers the fiscal soundness of future years or ignores the building of organizational capability sufficient to achieve strategic outcomes in future years.
8. Develop a budget for each budget cycle without:
    a. Seeking Board input on key budget planning assumptions prior to the last Board meeting of the year.
    b. Rendering the first draft of the budget no later than the last Board meeting of the year.
    c. Ensuring any significant changes made by the Board are reflected and sent to the Board for approval by the first Board meeting of the year.